

DALRADIAN RESOURCES

Dalradian Resources Inc.

Management's Discussion and Analysis

For the year ended December 31, 2010,
and the period from the date of incorporation on March 27, 2009
to December 31, 2009

March 22, 2011

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INTRODUCTION

Unless the context suggests otherwise, references to “Dalradian Resources,” “Dalradian,” the “Company” or similar terms refer to Dalradian Resources Inc. and its wholly-owned subsidiary, Dalradian Gold Limited (“DGL”).

This management’s discussion and analysis (“MD&A”) should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2010, and for the period from the date of incorporation on March 27, 2009 to December 31, 2009, the Company’s Amended and Restated Prospectus dated July 14, 2010, as well as the Amendment No. 1 dated July 29, 2010. The Company’s MD&A, financial statements and related notes have all been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

The Company’s most recent technical report entitled “A Mineral Resource Estimate for the Curraghinalt Gold Deposit and a Review of a Proposed Exploration Program for the Tyrone Project, County Tyrone and County Londonderry, Northern Ireland” dated May 10, 2010, prepared by B. Terrence Hennessey, P. Geo., and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM, of Micon International Limited is available on SEDAR at www.sedar.com, and on the Company website at www.dalradian.com.

Vaughan Williams, P. Geo., Eur. Geol., Project Manager, Aurum Exploration Services, a consultant to the Company, is a “qualified person” as defined under the guidelines of National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) of the Canadian Securities Administrators and supervised the preparation of the technical data in this MD&A.

All amounts are in Canadian dollars unless otherwise noted.

This MD&A is dated March 22, 2011.

FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiary and its mineral project, the future price of metals, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words and phrases such as “plans,” “expects,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on various assumptions such as continued political stability in Northern Ireland, that permits required for the Company’s operations will be obtained in a timely basis in order to permit the Company to proceed on schedule with its planned drilling programs, that skilled personnel and contractors will be available as the Company’s operations continue to grow, that the price of gold will remain at levels that render the project economic, that the Company will be able to continue raising the necessary capital to finance its operations and realize on mineral resource estimates and current mine plans.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiary to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

DESCRIPTION OF BUSINESS

Incorporated on March 27, 2009, under the name SA Resources Inc. pursuant to the provisions of the *Business Corporations Act* (Ontario), Dalradian is a Canadian based mineral resource company engaged in the acquisition, exploration and development of mineral properties. The Company's wholly-owned subsidiary, DGL, holds a 100% interest, subject to certain royalties, in eight mineral prospecting licences that cover approximately 84,000 hectares in counties Tyrone and Londonderry, Northern Ireland. The Department of Enterprise, Trade and Investment ("DETI") and the Crown Estate Commissioners ("CEC") have each issued four corresponding licences that together grant base and precious metal mineral exploration rights to four contiguous areas collectively known as the Tyrone Project.

Dalradian's initial strategic focus is on the development of its mesothermal gold deposit, Curraghinalt, located within the Tyrone Project in Northern Ireland.

EXECUTIVE SUMMARY

Highlights for the Three-Month Period Ending December 31, 2010

- Cut 1 metre of 59.88 g/t of gold, 1.17 metres of 44.47g/t of gold, 1.83 metres of 37.41 g/t of gold and 2.74 metres of 15.27 g/t of gold at its Curraghinalt Deposit;
- Initiated a 40,000-metre drilling program by way of Major Drilling Group International Inc. ("Major"), arriving on site and starting two diamond drill rigs in December 2010; and
- Mr. Garth Earls joined on December 1, 2010 as Managing Director of DGL.

Exploration

Dalradian is focused on developing the Tyrone Project, which is in proven geological terrain for gold and base metals deposits and showings. It includes the Curraghinalt Deposit, a mesothermal gold system consisting of at least seven primary gold-bearing veins. Open along strike and down dip, recent drilling based on regional geochemical, mapping and sampling work has shown the existence of additional veins peripheral to the resource and outside the main zone.

The Company's exploration program, therefore, is designed to achieve three goals:

- Better define and develop the current mineral resources identified at the Curraghinalt Deposit;
- Conduct further exploration to identify whether mineral resources extend beyond the known mineralization of the Curraghinalt Deposit; and,
- Identify new mineral resources on the rest of the Tyrone Project licence block.

Since beginning its exploration program and infill drilling on March 8, 2010, with one drill rig, Dalradian has completed 29 holes totaling 9,074 metres as of March 22, 2011, in an ongoing program that now includes four drills. It has intercepted several new veins parallel to the existing resource, and cut new vein intercepts in the Bend and Crow veins. The current four-rig program is designed to test outside the known resource envelope and to determine the extent of newly discovered veins. (For complete tables and figures, please see the Company's news releases, available on SEDAR at www.sedar.com or on the Company website at www.dalradian.com).

The Company's exploration program expanded in December 2010 with the arrival of two rigs from Major. Major is contracted to complete 40,000 metres over 24 months, and its two rigs have joined the two Irish Drilling Limited rigs currently on site.

Management

Mr. Garth Earls, Eur. Geol., was appointed Managing Director of DGL, effective December 1, 2010 and is responsible for the day-to-day operations of the Company in Northern Ireland. Mr. Earls joined Dalradian from the Geological Survey of Northern Ireland. He previously spent 23 years working in the resource industry and was part of the team that discovered the Curraghinalt Deposit in the 1980s.

Initial Public Offering

The Company raised total gross proceeds of \$39.1 million (net proceeds: \$35.8 million) resulting from its

initial public offering that closed on August 10, 2010, and the subsequent exercise of the related over-allotment option on August 25, 2010. Dalradian issued 26,100,000 units at a price of \$1.50 per unit in connection with this offering. Under the terms of the amended and restated agency agreement dated July 14, 2010 with GMP Securities L.L.P., Dundee Securities Corporation, Clarus Securities Inc. and Cormark Securities Inc. (collectively, the "Agents"), each unit consisted of one common share and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of \$2.25 until August 10, 2011.

OVERVIEW OF SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS

The following table sets forth selected data for the periods ended December 31, 2010 and 2009:

	Year ended Dec. 31, 2010	For the period of incorporation on Mar. 27, 2009 to Dec. 31, 2009
Operating expenses:		
Professional and consulting fees	\$ 872,335	\$ 848,391
Salaries and wages	1,762,972	—
Travel and investor relations	772,592	133,694
Office, regulatory and general	558,411	56,685
Interest and bank charges	5,524	6,221
Interest on convertible debentures	—	101,864
Amortization of administrative assets	3,443	—
Foreign exchange gain	(8,214)	(140,383)
Abandoned mineral properties	—	179,943
Stock-based compensation	1,764,737	—
	<u>5,731,800</u>	<u>1,186,415</u>
Interest income	134,005	—
Loss for the period	<u>\$ (5,597,795)</u>	<u>\$ (1,186,415)</u>
Loss per share – basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.07)</u>
Total Assets	<u>\$ 44,230,604</u>	<u>\$ 9,675,648</u>
Long-term financial liabilities	<u>\$ —</u>	<u>\$ —</u>

Three Months Ended December 31, 2010, Versus Three Months Ended December 31, 2009

Professional and consulting fees increased in the three months ended December 31, 2010 to \$488,949 from \$111,993 in the three months ended December 31, 2009. Professional and consulting fees were higher due to higher legal, accounting and other professional service requirements as a result of being a public company, and fees incurred in relation to recruiting staff of DGL in Belfast. Legal, accounting and other fees associated with the initial public offering have been charged to share issue costs.

Salaries increased in the three months ended December 31, 2010 to \$1,168,277 from nil, as the Company incurred salary expense instead of contracting consultants, hired corporate staff in Toronto and administrative staff in Northern Ireland in the fourth quarter of 2010, compared to the three months ended December 31, 2009.

Travel and investor relations expenses increased in the three months ended December 31, 2010, to \$462,570 from \$38,821, due to increased travel between Canada and Northern Ireland, investor relations activities associated with being a public company and development of the Company website.

Office, regulatory and general expenses increased in the three months ended December 31, 2010 to \$374,735 from \$18,477, due to listing and filing fees associated with the public company listing, and rent and associated costs for offices in Toronto and Belfast.

Interest and bank charges in the three months ended December 31, 2010 are in line with charges for the three months ended December 31, 2009.

Foreign exchange in the three months ended December 31, 2010, was a gain of \$11,652 compared to a gain of \$26,272 in the three months ended December 31, 2009 as a result of the favourable movement in the pound sterling against the Canadian dollar in the fourth quarter of 2010.

Stock-based compensation expense increased in the three months ended December 31, 2010 to \$605,509 from nil in the three months ended December 31, 2009, as amortization started when the Company became public on August 10, 2010.

Interest income in the three months ended December 31, 2010 increased to \$89,372 from nil in the three months ended December 31, 2009, as the Company invested the funds resulting from the initial public offering with a Canadian financial institution on a short-term basis.

Year Ended December 31, 2010, Versus the Period from Incorporation on March 27, 2009, to December 31, 2009

Professional and consulting fees increased in the year ended December 31, 2010 to \$872,335 from \$848,391 in the period from incorporation on March 27, 2009 to December 31, 2009. Accounting, audit and professional fees increased due to the requirements of being a public company and recruiting staff in Northern Ireland. This increase has been partially offset by a decrease in consulting costs, as the Company hired employees, which reduced the need for financial and other support related consultants. Legal, accounting and other fees associated with the initial public offering have been capitalized in share issue costs.

Salaries increased from nil to \$1,762,972 in the year ended December 31, 2010 due to the hiring of employees in 2010.

Travel and investor relations expenses increased in the year ended December 31, 2010 to \$772,592 from \$133,694, due to increased travel to Northern Ireland, investor-related travel to promote the Company and development of the Company website.

Office, regulatory and general expenses increased in the year ended December 31, 2010 to \$558,411 from \$56,685, due to listing and filing fees associated with the public company listing, and rent and associated costs for offices in Toronto and Belfast.

Foreign exchange in the year ended December 31, 2010 was a gain of \$8,214 compared to a gain of \$140,383 in the period from incorporation on March 27, 2009 to December 31, 2009, primarily as a result of the revaluation of the future tax liability at December 31, 2010 due to the favourable movement in the pound sterling against the Canadian dollar. The gain in 2009 was due to the gain recognized when the U.S. dollar convertible debentures were exercised.

On May 9, 2009, the Company signed a letter of intent with Rockstone Global Ltd., which owns the rights to a mineral property on the Ivory Coast, and advanced funds to Rockstone Global Ltd. to cover a portion of its expenses related to that property. The Company subsequently terminated this relationship, and does not expect to recover the advanced amounts. As a result, an abandonment charge of \$179,943 was recorded in the period from incorporation on March 27, 2009 to December 31, 2009. There was no abandonment during the year ended December 31, 2010, as the Company's sole focus is now on its properties in Northern Ireland.

Stock-based compensation expense commenced when the Company became public August 10, 2010. Accordingly, the Company incurred \$1,764,737 in stock-based compensation expense in the year ended December 31, 2010, compared to nil for the period from incorporation on March 27, 2009 to December 31, 2009.

Interest income in the year ended December 31, 2010 increased to \$134,005 from nil in the period from incorporation on March 27, 2009 to December 31, 2009, as the Company invested the funds resulting from the initial public offering with a Canadian financial institution on a short-term basis.

SUMMARY OF QUARTERLY RESULTS

The following selected data is prepared in accordance with Canadian GAAP and should be read in conjunction with the December 31, 2010, audited consolidated financial statements.

	2010			
	Three months ended			
	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Interest income	\$ 89,372	\$ 44,633	\$ nil	\$ nil
Net loss	\$ (2,999,523)	\$ (1,795,085)	\$ (571,239)	\$ (231,948)
Net loss per common share (basic and diluted)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Total assets	\$ 44,230,604	\$ 44,530,874	\$ 9,302,658	\$ 9,355,222
Total shareholders' equity	\$ 41,770,004	\$ 43,722,353	\$ 8,174,713	\$ 8,745,952
	2009			
	Three months ended	Three months ended	Three months ended	From the period of incorporation on March 27 to
	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Interest income	\$ nil	\$ nil	\$ nil	\$ nil
Net loss	\$ (145,444)	\$ (275,795)	\$ (750,771)	\$ (14,405)
Net loss per common share (basic and diluted)	\$ (0.01)	\$ (0.03)	\$ (0.07)	\$ (0.00)
Total assets	\$ 9,675,648	\$ 1,125,994	\$ 1,480,530	\$ 525,395
Total shareholders' equity	\$ 8,977,900	\$ (334,760)	\$ (697,363)	\$ (4,223)

The Company had interest income in the three months ended December 31, 2010, of \$89,372 associated with higher cash balances.

The increase in net loss results from hiring staff in 2010, professional fees incurred in relation to public company reporting and listing requirements, travel to Northern Ireland setting up the operation, investor relation marketing activities and rent and associated costs for offices in Toronto and Belfast. The increase in total assets and shareholders equity is due to the initial public offering.

FINANCIAL CONDITION, CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

The Company's only source of income has been interest earned from funds on deposit.

The Company's cash position as at December 31, 2010, is \$33,173,152 and as at March 22, 2011, is approximately \$29.8 million. The Company's management believes that its current cash position, which includes the proceeds from the initial public offering, will be sufficient to provide for the Company's fixed costs and current proposed expenditures in the coming year.

Financing Activities

The Company closed its initial public offering on August 10, 2010 and generated net proceeds of \$30,989,986, after deducting a cash commission of \$2,213,250 and other transaction costs of \$846,764, which were paid out of the offering's proceeds.

The over-allotment option granted to the underwriters was exercised for additional units, and the Company received additional aggregate net proceeds of \$4,768,500, after deducting a cash commission of \$331,500.

The Company has issued:

- 22,700,000 common shares and 11,350,000 warrants resulting from the initial public offering;
- 3,400,000 common shares and 1,700,000 warrants resulting from the exercise of the over-allotment which formed part of the initial public offering;
- 1,475,500 broker warrants exercisable for an aggregate of 1,475,500 common shares and 737,750 warrants until August 10, 2011, and thereafter for 1,475,500 common shares until February 10, 2012, resulting from the initial public offering, valued at \$1,031,375; and
- 221,000 broker warrants exercisable for an aggregate of 221,000 common shares and 110,500 warrants until August 10, 2011, and thereafter for 221,000 common shares until February 10, 2012, resulting from the exercise of the over-allotment option, which formed part of the initial public offering, valued at \$154,479.

In total, the Company issued 26,100,000 common shares, 13,050,000 warrants and 1,696,500 broker warrants in conjunction with its initial public offering in August 2010.

Liquidity

The Company's ability to fund the exploration and development of its projects, or acquire additional mineral properties, is conditional on its ability to secure financing when required. Current financial markets remain volatile due to uncertainties in the global economy. Commodity markets have also seen substantial volatility, but the outlook for gold has remained positive. The volatility and uncertainty in the current markets could lead to difficulties in raising funds. See "Risk Factors — Uncertainty of Additional Funding" and "Risk Factors — Recent Global Financial Condition."

The Company estimates spending approximately \$20.2 million for the period January 1 to December 31, 2011 on exploration and related costs (2011 Exploration Program) in Northern Ireland and a further \$3.8 million for corporate costs. The 2011 Exploration Program is forecast to drill approximately 26,000 metres using 4 rigs and will cost approximately:

	2011 Budget millions
Exploration	\$ 13.0
Environmental	1.1
General and administration	2.3
	<u>\$ 16.4</u>

The drilling project is being expected to reach a monthly burn rate of approximately \$1.6 million per month in the second quarter of 2011.

Contractual Obligations

The Company may be subject to various contingent liabilities that occur in the normal course of operations.

Mineral Prospecting Licences

Under the Department of Enterprise, Trade and Investment (“DETI”) mineral prospecting licences that comprise the Tyrone Project, DGL is expected to make the following expenditures over the following periods:

DETI mineral prospecting licences	From	To	Expenditure	
DG1	January 1, 2011	December 31, 2011	£	500,000
DG2	January 1, 2011	December 31, 2011		200,000
DG3	April 25, 2010	April 24, 2011		80,000
DG4	April 25, 2010	April 24, 2011		80,000
			£	860,000

Expenditure for the four DETI licences, in the aggregate, have exceeded the required commitment for the period ended December 31, 2010; however, the expenditure on the DG3 and DG4 licences is below the stated amount. The Company has confirmed with DETI that the lower spending level has not affected the validity of these licences.

DGL has entered into a drilling services agreement with an international drilling company, and deposited U.S. \$400,000 (\$413,240) upon the signing of the agreement on September 7, 2010, to be applied to future invoices. Subsequent to year end, DGL paid U.S. \$60,000 (\$61,986) upon delivery of the equipment to the port of departure. Under the terms of the agreement, the drilling company is obligated to drill a minimum of 40,000 metres in 21 to 24 months. Drilling began in December 2010.

The Company entered into an agreement with another Canadian mining company, to share office space in Toronto. The agreement commenced on September 1, 2010 and expires on August 31, 2015. Under this agreement, the Company is responsible for fifty percent (50%) of the construction and fixturing costs, which are estimated to cost the Company \$750,000, and fifty percent (50%) of the rent.

On November 26, 2010, DGL entered into an operating lease for an office space in Belfast. The lease expires on November 25, 2013.

On December 21, 2010, the Company entered into agreements with certain landowners for access to their land for the purpose of exploration activities. These agreements commit the company to make annual payments to these landowners until December 31, 2013. In addition, the Company agreed to issue landowner warrants, subject to the approval of the Toronto Stock Exchange, totaling 30,000 in 2011, which have an exercise price of \$2.17, 40,000 warrants in 2012 and 50,000 warrants in 2013.

The following table identifies all lease commitments at December 31, 2010:

Lease Payment Summary

	2011	2012	2013	2014	2015	Total
Rent of offices.....	213,975	222,091	223,128	201,205	136,819	997,218
Landowner Agreements.....	77,565	86,873	99,283	—	—	263,721
	<u>291,540</u>	<u>308,964</u>	<u>322,411</u>	<u>201,205</u>	<u>136,819</u>	<u>1,260,939</u>

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the year ended December 31, 2010, the Company paid consulting fees of \$76,125 to a company controlled by a former officer and \$214,125 to companies controlled by former directors of the Company (from the period of incorporation March 27, 2009 to December, 31 2009: \$394,240) in the normal course of operations.

\$65,625 of the fees was paid while the officers and directors were employed by the Company. The remaining \$224,625 was paid subsequent to their resignations from the Company.

RISK MANAGEMENT

Fair Value

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheet, approximate fair value because of the short terms of these financial instruments.

Commodity Price Risk

The Company's ability to develop its properties and its future profitability are directly related to the market price of gold. Commodity prices for gold are affected by numerous factors, such as global consumption and demand for gold, international economic and political trends, fluctuation in value of the U.S. dollar and other currencies, interest rates and inflation.

Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- (i) the Company will not have sufficient funds to settle a transaction on the due date;
- (ii) the Company will be forced to sell financial assets at a value which is less than what they are worth; or
- (iii) the Company will be unable to settle or recover a financial asset at all.

The ultimate responsibility for liquidity risk rests with the Board of Directors of the Company, which has built an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity requirements. The Company's cash requirements and balances are projected based on estimated future requirements. The Company plans to meet these requirements through a mix of available funds, equity financing, sale or mining of assets and project debt financing. Continuing operations are dependent on the Company's ability in the near term to access sufficient capital to complete the Company's exploration and development activities, identify commercial gold reserves and ultimately to have profitable operations. Accounts payable and accrued liabilities as at December 31, 2010, all have contractual maturities of less than 90 days and are subject to normal trade terms.

Credit Risk

Credit risk arises when failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the consolidated balance sheet date. The majority of the Company's financial assets are cash, cash equivalents and receivables. Management considers the credit risk on cash and cash equivalents to be limited because the counterparties are established well-known financial institutions. During the period ended December 31, 2010, there were no allowances or bad debts on the receivables and no amounts were past due. The maximum exposure to credit risk is

represented by the carrying amount of the cash, cash equivalents and amounts receivable on the consolidated balance sheet.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in the exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company holds cash on hand that is denominated in U.S. dollars and is exposed to foreign currency fluctuations on its assets and operations in Northern Ireland, denominated in pounds sterling. The Company's management monitors the exchange rate fluctuations on a regular basis and does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

At December 31, 2010, the carrying amounts of the Company's foreign currency-denominated net financial assets are approximately as follows:

	Net financial assets	Effect of 10% change in exchange rate on earnings/loss
U.S. dollars	\$ (113,136)	\$ (11,300)
Euros	(203,748)	(20,400)
Pounds sterling	278,146	27,800
Total	<u>\$ (38,738)</u>	<u>\$ (3,900)</u>

The Company has a future tax liability denominated in pounds sterling. A 10% change in the foreign exchange rate could impact this future tax liability by approximately \$33,433.

OUTSTANDING SHARE DATA

The following table summarizes the capitalization of the Company as at December 31, 2010:

	Exercise Price	Number of Common Shares
Common shares		<u>69,089,916</u>
Warrants		
Expiring August 10, 2011	\$ 2.25	13,180,500
Expiring February 10, 2012*	1.50	2,153,250
Expiring December 18, 2011	0.75	<u>336,000</u>
Total warrants		<u>15,669,750</u>
Options		
Expiring March 10, 2011	2.28	33,334
Expiring August 10, 2015	0.25	737,500
Expiring August 10, 2015	0.75	3,100,000
Expiring August 19, 2015	1.85	300,000
Expiring October 18, 2015	2.28	<u>125,000</u>
Total options		<u>4,295,834</u>
Total fully diluted		<u>89,055,500</u>

* Holders can purchase 1,435,500 units consisting of one common share and one-half of one purchase warrant up to August 10, 2011, and thereafter to purchase 1,435,500 common shares at \$1.50.

As at March 22, 2011, the Company had 69,102,416 common shares outstanding, 15,669,750 warrants outstanding and 4,350,000 stock options issued and outstanding. This amounts to 89,122,166 common shares outstanding on a fully-diluted basis.

ADOPTION OF NEW ACCOUNTING STANDARDS

International Financial Reporting Standards (“IFRS”)

IFRS Transition Plan

The Company developed an IFRS transition plan starting in the third quarter of 2010 after completing its initial public offering, to prepare for the transition from Canadian GAAP to IFRS accounting standards. The Company also engaged third-party advisers in the third quarter of 2010 to assist with the planning and implementation of its transition to IFRS.

The Company completed its assessment of the significant areas where changes to accounting policies may be required, known as the Component Evaluation stage, in the fourth quarter of 2010. This analysis included a detailed assessment of the alternatives available or any change that may be required to the Company’s current accounting policies.

The following table summarizes the Company's progress with respect to its IFRS transition plan:

Activity	Status
Preliminary Assessment - Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Completed Q3 2010
Component Evaluation - Detailed evaluation of potential changes required to accounting policies, information systems and business processes.	Completed Q4 2010
Determination of expected changes on accounting policies and requirements with respect to first-time adoption alternatives.	Substantially completed at time of completing this MD&A
Quantification of the expected financial statement impact of changes in accounting policies, and determination of the expected IFRS transition date balance sheet (as at January 1, 2010).	Preliminary balance sheet as at January 1, 2010, completed. Balance sheet as at January 1, 2011, will be completed in April 2011.
Completion of updates associated with accounting policy changes to information technology, internal controls, business processes and contractual arrangements.	No material changes expected. On track for completion for the quarter ending March 31, 2011.
Preparation of pro forma Q1 fiscal 2011 financial statements, with comparatives, consistent with IFRS presentation and disclosure requirements.	Will be completed as quarter ending March 31, 2011 financial statements finalized.
Training requirements associated with IFRS.	Ongoing activity as part of IFRS conversion program.

Impact of Adopting IFRS on the Company

As part of its analysis of potential changes to significant accounting policies, the Company has completed a detailed assessment of changes required to its accounting systems, and business processes. Currently, changes to systems and processes are not expected to be material. The Company has also reviewed significant contractual commitments and to date has not identified any potential changes associated with IFRS.

The Company, being a smaller organization, has all financial personnel involved with the IFRS changeover receiving training as required. The Audit Committee of the Board of Directors is receiving quarterly updates on the progress of the IFRS conversion plan.

Impact of Adopting IFRS on Internal Controls over Financial Reporting

Changes to accounting policies or business processes as a result of the IFRS conversion may affect the Company’s internal controls over financial reporting (“ICFR”). The Company, having recently completed

its initial public offering, is still in the process of setting up longer term business processes and potential changes to accounting policies, and existing controls and procedures associated with IFRS are being incorporated as these processes are implemented.

First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”), which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS that are effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

To date, the Company has identified the application of IAS 39 Financial Instruments: Recognition and Measurement regarding compound financial instruments to be the only optional exemption it may apply in the preparation of an opening IFRS statement of financial position as at January 1, 2010, the “Transition Date”.

Impact of Adopting IFRS on the Company’s Financial Statements

The adoption of IFRS could result in changes to accounting policies and could have an impact on the recognition, measurement and disclosure of balances and transactions in the Company’s financial statements. The Company has not yet completed its final assessment of the implications of adopting IFRS on its financial statements, however at this stage has not identified a material change.

The areas outlined below have been identified as having the most potential for a change to significant accounting policies. The list is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas reviewed to date having the most potential for significant changes.

Exploration Expenditures

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

Property, Plant and Equipment (Measurement and Valuation)

IFRS requires the Company to choose, for each class of capital assets, between the cost model and the revaluation model. Under the revaluation model, an item of property, plant and equipment is carried at its re-valued amount, being its fair value at the date of the revaluation less any accumulated amortization and accumulated impairment losses. The Company expects it will choose the cost model in accounting for its capital assets, which is consistent with current Canadian GAAP.

Foreign Currencies

IFRS requires that the functional currency of the company and its subsidiaries be determined separately, and the process of considering factors to determine functional currency are somewhat different than current Canadian GAAP. It is possible that a change in the functional currency of the Company and or its subsidiary would be required on adoption of IFRS. The Company has not finalized this assessment, however does not expect retrospective application of this standard would have a significant effect on the financial statements. The reporting currency is Canadian dollars and is expected to remain on this basis.

Share-based Payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. The determination of whether a stock-based award is granted to an employee or non-employee differs under Canadian GAAP and IFRS. As a result of this, the Company has determined that certain awards granted to non-employees under Canadian GAAP are considered to be employee awards under IFRS, resulting in a different amount and timing of recognition of stock compensation costs. The Company has estimated the impact of the change on the measurement of compensation expense is

\$32,679 for the year ended December 31, 2010. There is no impact for the period from incorporation on March 27, 2009 to December 31, 2009, as the compensation only commenced in Q2 2010 when the Company became public.

Accounting for Income Taxes

While accounting for income taxes is similar under IFRS and Canadian GAAP, in certain circumstances there are differences in the measurement of future tax assets and future tax liabilities. The Company is still identifying if there may be a difference in relation to future taxes in relation to mineral properties due to the acquisition of DGL.

Warrants

Under IFRS, the U.S. dollar denominated share purchase warrants are considered to be a financial instrument, due to the Canadian dollar being Dalradian's functional currency which means that the warrants are indexed to both the Company's stock and to the foreign exchange rate. At January 1, 2010, the impact is to reclassify the warrants from equity to liabilities estimated at \$99,952. When the warrants are exercised in Q3 2010, this will result in a charge to the income statement with a corresponding increase in share capital which is estimated at \$662,130.

Subsequent Disclosures

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include fiscal 2010 and the three months ended March 31, 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's Transition Date.

Change in Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests. Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under IFRS. Section 1601, together with Section 1602, replaces Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1582, Section 1601 and Section 1602 are applicable for the Company for the fiscal year beginning on January 1, 2011, with concurrent early adoption permitted. An entity must adopt Section 1582, Section 1601 and Section 1602 at the same time. The Company has not determined the impact of the adoption of these new sections, as it will adopt IFRS from January 1, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Dalradian's management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of December 31, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Company's internal controls, or in other factors, that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial

Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

RISK FACTORS

The Company is subject to a number of risks and uncertainties. The reader should carefully consider the information disclosed in the financial statements, in the Company's Amended and Restated Prospectus dated July 14, 2010, as well as in the Amendment No. 1 dated July 29, 2010, thereon, and in other publicly filed documentation regarding the Company available on SEDAR at www.sedar.com.

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business, financial condition and results of operations, or the trading price of the Common Shares or Warrants.

Limited Operating History

The Company has a very limited history of operations, and is in the early stage of development. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings.

No History of Revenues

The Company has limited financial resources, has earned nominal revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for exploration and development. Furthermore, additional financing will be required to continue the development of Dalradian's properties even if Dalradian's exploration program is successful. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of Dalradian's properties with the possible loss of such properties.

Uncertainty of Additional Funding

The Company currently has sufficient financial resources to undertake its presently planned course of exploration and development on the Tyrone Project. Further operations will require additional capital and will depend on the Company's ability to obtain financing through debt financing, equity financing or other means. There is no assurance that the Company will be successful in obtaining the required financing or that such financing will be available on terms acceptable to the Company. In addition, any future financing may also be dilutive to existing shareholders of the Company.

Dependence on One Mineral Resource Project

Dalradian's only mineral property is the Tyrone Project. As a result, unless Dalradian acquires additional properties or projects, any adverse developments affecting this project or Dalradian's rights to develop this property could materially adversely affect Dalradian's business, financial condition and results of operations.

Uncertainty of Acquiring Necessary Licences, Permits, and Access Rights

Although Dalradian currently holds the necessary licences and permits it requires in order to carry out its presently planned course of exploration and development, Dalradian has no assurance that it will receive any permits, including environmental and drilling permits, that may be required in the future to carry out

further exploration, development and production activities on its properties, or obtain them in a timely manner. The failure to obtain such permits could adversely affect Dalradian's operations and consequently the value of the securities of the Company.

The grant of DETI and CEC mineral prospecting licences does not automatically confer upon the licensee rights of access to the licenced areas and Dalradian is required to secure access agreements with the relevant landowners. While Dalradian currently has sufficient agreements in place to access the Tyrone Project, further access agreements will need to be entered into with additional landowners for Dalradian to carry out further proposed work programs in the relevant areas extending beyond the Curraghinalt Deposit. There is no assurance that Dalradian will be able to obtain the cooperation of other landowners or successfully negotiate access agreements on terms that are favourable to Dalradian. In the event that future access agreements cannot be secured as necessary in a timely manner or at all, Dalradian's ability to pursue further exploration and development work in accordance with its intended work program at the Tyrone Project may be adversely affected.

Risks and Hazards Inherent in the Mining Industry

Dalradian's operations are and will continue to be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include but are not limited to environmental hazards, industrial accidents, labour disputes, unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and mineral recovery, unanticipated ground or water conditions, cave-ins, flooding, rock bursts, periodic interruptions due to bad or hazardous weather conditions and other acts of nature, and unfavourable operating conditions. There are also physical risks to the mining personnel working in the terrain of Northern Ireland, often in varying climate conditions.

Should any of these risks and hazards adversely affect Dalradian's mining operations or activities, it may cause an increase in the cost of operations to the point where it is no longer economically feasible to continue, it may require Dalradian to write down the carrying value of one or more mines or a property, it may cause delays or a stoppage in mineral exploration, development or production, it may result in damage to or destruction of mineral properties or processing facilities, and may result in personal injury or death or legal liability, all of which may have a material adverse effect on Dalradian's financial condition, results of operation, and future cash flows and could have an adverse affect on the value of the securities of the Company.

Uncertainty of Mineral Resource Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves and the future cash flows that might be derived from their production. Accordingly, the figures for mineral resources contained in the Company's public disclosures are estimates only. The estimation of mineralization is a subjective process and the accuracy of estimates is a function of quantity and quality of available data, the accuracy of statistical computations, and the assumptions and judgments made in interpreting engineering and geological information. In respect of mineral resource estimates, no assurance can be given that the anticipated tonnage and grades will be achieved, that the indicated level of recovery will be realized or that mineral resources will be upgraded to mineral reserve categories or mined or processed profitably. In addition, in respect of future cash flows, actual cash flows may differ materially from estimates. Estimates of mineral resources, and future cash flows to be derived from the production of such mineral resources necessarily depend upon a number of variable factors and assumptions, including, among others, geological and mining conditions that may not be fully identified by available exploration data or that may differ from experience in current operations, historical production from the area compared with production from other producing areas, the assumed effects of regulation by governmental agencies and assumptions concerning metal prices, exchange rates, interest rates, inflation, operating costs, development and maintenance costs, reclamation costs and the availability and cost of labour, equipment, raw materials and other services required to mine and refine the ore.

Estimates may have to be recalculated based on changes in mineral prices or further exploration or development activity. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence estimates. Market price fluctuations for minerals, increased production costs or reduced recovery rates, or other factors can adversely affect the economic viability of a project.

There can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during productions. For these reasons, estimates of Dalradian's mineral resources the Company's public disclosures, including classifications thereof based on probability of recovery, and any estimates of future cash flows expected from the production of those mineral resources may vary substantially. The actual volume and grade of mineral resources mined and processed and the actual cash flows derived from that production, may not be as currently anticipated in such estimates. If Dalradian's actual mineral resources or cash flows are less than its estimates, Dalradian's results of operations and financial condition may be materially impaired and there could be an adverse affect on the value of the securities of the Company.

Uncertainty of Inferred Mineral Resources

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of mineral resources contained in the Company's public disclosures contain estimates of inferred mineral resources. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Risks Relating to Government Regulation

Dalradian's mining operations and properties are subject to various laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labour standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes and other matters. It is possible that Dalradian may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of Dalradian's permits and agreements, which could have a material adverse impact on Dalradian's current operations and future development projects. Dalradian may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that Dalradian will be able to obtain all required permits on reasonable terms or on a timely basis.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the loss of Dalradian's mining licences, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. Dalradian may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Risks Associated with Foreign Operations

Dalradian's material property is located in Northern Ireland and, accordingly, Dalradian is subject to risks normally associated with the exploration, development and production of mineral properties in Northern Ireland. Dalradian's operations may be affected in varying degrees by political change and changes in government regulations relating to foreign investment and the mining industry. Operations may also be affected in varying degrees by possible political and labour unrest, fluctuations in currency exchange rates and high inflation. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and environmental

legislation and safety. Any such changes (including new or modified taxes or other governmental levies and new legislation) could have a material adverse effect on Dalradian's results of operations and financial condition. Dalradian cannot predict the government's position on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect Dalradian's business and/or its holdings, assets and operations. Any changes in regulations or shifts in political conditions are beyond Dalradian's control and there is no assurance that current and future mineral operations will not be adversely impacted by political, social or economic changes.

Planning and Environmental Risks and Liabilities

Dalradian's current and future operations, including development and production activities, are subject to environmental regulations promulgated by the Northern Ireland government and other agencies from time to time. Dalradian is subject to potential risks and unanticipated liabilities associated with pollution of the environment, disposal of waste products from its mining operations and potential site discharges. In relation to hazardous substances such as mercury or cyanide, Article 53 of The Planning (Northern Ireland) Order 1991 requires hazardous substance consent to be obtained for the presence on, over or under land of a hazardous substance in an amount at or above a specified controlled quantity. Pursuant to The Water (Northern Ireland) Order 1999, given the current site conditions, a discharge consent may be required. There is no assurance that Dalradian will be able to obtain such consents in a timely manner or at all. Previous operations may have caused environmental damage at certain of Dalradian's properties. It may be difficult or impossible to assess the extent to which such damage was caused by Dalradian or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective and Dalradian may be responsible for the costs of reclamation.

Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect operations at Dalradian's Tyrone Project. Environmental hazards may exist on the relevant properties that are unknown to Dalradian at present.

To the extent Dalradian is subject to environmental liabilities, the payment of any liabilities or the costs that may be incurred to remedy environmental impacts would reduce funds otherwise available for operations. If Dalradian is unable to remedy an environmental problem fully, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential financial exposure may be significant. Dalradian does not currently carry insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production).

In relation to planning permission issues, the proposed prospecting work in Northern Ireland may constitute development which would require planning permission and compliance with Part 16 of the Planning (General Development) Order (Northern Ireland) 1993 and may also be subject to the Planning (Environmental Impact Assessment) Regulations (Northern Ireland) 1999. Depending on the scale of the development, any such applications could result in a public inquiry and the obtaining of the required consent could take a significant period of time. There is no assurance that Dalradian will be able to obtain such consent in a timely manner or at all.

There are a number of possible constraints to mine development, and Dalradian will need to carry out detailed assessments of all proposed activities to ensure that mineral development is carried out in accordance with applicable Northern Irish planning law and environmental regulations.

The progression of mineral development will therefore require close scrutiny of all relevant sites and designations of those sites and close co-operation with the relevant planning and environmental

authorities. In addition to the costs entailed, the timeframe for securing the permits and consents could be subject to significant delays depending on the approach taken by the planning authorities.

There is no ultimate guarantee that all necessary permits and consents will be obtained.

The Use and Carriage of Explosives in Northern Ireland

In order to bring explosives into Northern Ireland, Dalradian will be required to make an application in writing to the Northern Ireland Office outlining its plans for the proposed mining site, detailing what explosives will be used and for what purpose. This application will then be considered by the Secretary of State for Northern Ireland who may grant a licence for the use of the explosives and a licence for the site. Any licence that is granted is subject to the approval and sole discretion of the Secretary of State. There is no assurance that Dalradian will receive any such approval if and when an application is submitted. Furthermore, any explosive transported in Northern Ireland or used within the jurisdiction must be approved by the Police Service of Northern Ireland ("PSNI") as per the Justice and Security Act 2007 and must be escorted by an armed guard at all times. The PSNI must be satisfied that the storage facilities for the explosives are of a suitable standard. There is no assurance that the PSNI will approve any storage facilities for any explosives, which Dalradian may require. Dalradian will also be required to serve notice on the Firearms and Explosives Branch of the PSNI in relation to tools or materials used to detonate any explosives during the course of any mining work. Any tools used must be marked and registered in Northern Ireland.

Title Risks

The acquisition of title to resource properties or interests is a very detailed and time-consuming process. Title to the areas covered by the Mineral Prospecting Licences may be disputed. Title may be based upon interpretation of a country's laws, which may be ambiguous, inconsistently applied and subject to reinterpretation or change. While Dalradian has diligently investigated its title to, and rights over and interests in and relating to, the Tyrone Project, there is no guarantee of title to any of Dalradian's properties, which may be subject to prior unregistered liens, agreements, transfers or claims, and rights may be affected by, among other things, undetected defects in title.

Fluctuations in Mineral Prices Could Adversely Affect Operations

Dalradian's future profitability and long-term viability will depend, in large part, on the global market price of gold and other minerals that are produced and the marketability of such minerals extracted from the Tyrone Project. The market price of gold is set in the world market and is affected by numerous factors beyond Dalradian's control, including the demand for precious metals, inflation, currency exchange fluctuations, interest rates, speculative activities, international political and economic trends, gold production levels, inventories, demand for jewellery and industrial products containing metals, costs of substitutes, production costs, increased production due to new and improved extraction and production methods, sales by central banks and other holders, global and regional consumption patterns, demand and supply. The aggregate effect of these factors on resource prices is impossible for Dalradian to predict.

Insurance Risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing and processing facilities, personal injury or death, environmental damage, delays in mining, and monetary losses and possible legal liability. Where required or considered practical to do so, Dalradian maintains insurance against risks in the operation of its business and in amounts believed to be consistent with industry practice. Such insurance contains exclusions and limitations on coverage. The Company currently maintains directors' and officers' liability insurance. Dalradian's insurance policies may not provide coverage for all losses related to Dalradian's business and the payment of any such liabilities not covered by such insurance policies would reduce the funds available to Dalradian and could have a material and adverse effect on Dalradian's profitability, results of operation and financial condition. Furthermore, there can be no assurance that such insurance will continue to be available, or that it will be available on terms and conditions acceptable to Dalradian.

Dependence on Management and Outside Advisors

The success of Dalradian's operations and activities is dependent to a significant extent on the efforts and abilities of its management team, as well as outside contractors, experts and other advisors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors, experts and other advisors hired by Dalradian. The Company does not have in place a formal program for succession of management or training of management. The loss of one or more members of senior management, key employees or contractors, if not replaced, could materially adversely affect Dalradian's operations and financial performance.

Currency Fluctuations

Dalradian's mining activities in Northern Ireland will render it subject to foreign currency fluctuations. The effects of the foreign exchange rate on operating costs and on cash flows, and the escalation of the pound sterling relative to the Canadian dollar may be significant. Dalradian does not currently have any intention to enter into hedging contracts in connection with foreign currencies. The appreciation of the pound sterling against the Canadian dollar would in Canadian dollar terms increase the costs of exploration and development of Dalradian's property, increase the future operating costs, and increase future taxes and royalties paid to the Northern Ireland government. These increased costs could materially and adversely affect Dalradian's profitability, results of operation and financial condition. Since Dalradian's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange fluctuations between the pound sterling and the Canadian dollar.

Competition in the Mining Industry

Dalradian competes with other mineral exploration and mining companies for the acquisition of mineral claims, permits, concessions and other mineral interests as well as for the recruitment and retention of qualified employees. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources, Dalradian may be unable to acquire additional attractive mining concessions or financing on terms it considers acceptable. Increased competition could result in increased costs and reduced profitability. Consequently, Dalradian's revenues, operations and financial condition could be materially adversely affected.

Inability to Enforce Legal Rights in Certain Circumstances

The Company is organized under the laws of Ontario; however, its operating subsidiary is organized under the laws of Northern Ireland. In the event a dispute arises in Northern Ireland or in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, given that a substantial portion of Dalradian's assets are located outside of Canada, investors may have difficulty collecting from Dalradian or enforcing any judgments obtained in the Canadian courts and predicated on the civil liability provisions of Canadian securities legislation or other laws of Canada, against foreign persons or Dalradian.

Conflicts of Interest

Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. To the extent that such other companies may participate in ventures in which Dalradian may participate, there exists the possibility for such directors and officers to be or come into a position of conflict. In accordance with the laws of Canada, directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In addition, such directors will declare and abstain from voting on any matter in which such directors may have a conflict of interest.

Litigation Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

No Hedging Policy

The Company does not currently have a hedging policy and has no present intention to establish one. Accordingly, Dalradian has no protection from declines in mineral resource prices. In addition, the Company may not have the ability to purchase hedging instruments in the future. Hedging instruments may also not protect Dalradian adequately from fluctuations in the market price of gold and other minerals.

Dividends Unlikely

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further development of Dalradian's business.

Dilution

Additional financing needed to continue funding the development and operation of the Tyrone Project may require the issuance of additional securities of the Company. The issuance of additional securities and the exercise of common share purchase warrants, stock options and other convertible securities will result in dilution of the equity interests of any holders of Common Shares.

OUTLOOK

Over the next year, the Company expects to expand the drilling program to determine the potential size of the mineral resource envelope, and to continue to pursue a program of infill drilling. The Company is planning to commence a regional exploration program in April 2011.

The Company continues to examine possible acquisitions of additional prospective exploration properties or entities holding exploration properties.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found at www.dalradian.com and www.sedar.com.